Information Policy

Comments on Selected Paper Session

by

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It is a pleasure to review these three papers that address the role of information in the operation of food and agricultural markets. The common theme throughout is that how much information is available and how it is presented can have a significant impact on the operation of markets.

Michael Finke's paper presents an interesting use of data on consumer behavior from the USDA's Continuing Survey of Food Intakes by Individuals (CSFII) and the Dietary and Health Knowledge Survey (DHKS) conducted in 1989 and 1995. His paper looks at the impact of nutrition knowledge and awareness on diet and health outcomes. He is fundamentally interested in what contributes to good nutritional outcomes.

The question that I brought to reading Finke's paper is: If nutrition information is better, in part due to better label information, why are nutritional outcomes so bad overall (e.g., the obesity epidemic) in the United States? Finke's paper presented at least one answer to this question. He addressed what affects a particular dietary outcome, whether or not a consumer's diet is low fat (less than 30% of calories from fat). The answer appears to be that the positive effect of better knowledge and label use is concentrated in certain segments of the population made up of people who are more highly educated. Finke argues that education is here acting as a proxy for the consumer's discount rate for future outcomes. In effect, more highly educated people have lower discount rates and, therefore, take the actions today that will improve health outcomes several years down the road.

I am very interested in seeing further extensions of this paper addressing related issues. First, what is the relevant variable to measure health outcomes? Is whether a person's diet gets less than 30% of its calories from fat the best measure of such outcomes? Using the healthy eating index as the measure of dietary outcome could provide an interesting comparison. Second, what is the right way to specify the label use, nutrition knowledge, and health awareness variables? Finke's paper would benefit from a clearer description of how he specifies these variables. The paper's results may be sensitive to how variables are specified. For example, nutrition knowledge is specified as the number of questions answered correctly by the consumer out of 13 questions overall. Is the number answered correctly the right specification or may there be some kind of threshold level of knowledge that is important? Additional work with alternative specifications will add to confidence in the robustness of the results. Third, it will be very interesting to add a new year of data as it becomes available. This will allow tracking of changes for a longer period of time after the implementation of mandatory nutrition labeling in 1994.

I am in the unusual position of providing a self-review of the Mojduszka et al. paper, on which I am a co-author. The paper develops a demand model for frozen food products where the market share of the item (or the probability that a consumer will purchase the product) is a function of its nutritional attributes, consumer knowledge about nutrition, and consumer demographics. The unique feature of this model is its ability to model and empirically test the relative importance of several different factors in influencing demand for food products.

I was interested to note how closely the hierarchy of factors found to be important in the paper reflects that given by Adam Drewnowski at the USDA's Millennium event that kicked off this conference. That hierarchy was taste, price, convenience, health, and variety.

For future work, the comments made on the Finke paper above apply to Mojduszka el al. as well. It will be important to test and compare the model results when the nutrition knowledge, label use, and demographic variables are specified differently. This will be necessary to show the robustness of the model and build confidence in its results.

The paper by Cheryl Wachenheim and Eric DeVuyst turns to a different type of information issue. I was really struck by the main point of this paper: better price reporting, as envisioned in the Livestock Mandatory Reporting Act of 1999, could facilitate collusion among packers and have a competitive impact that is the opposite of what is intended. The parallel that quickly came to mind was the successful prosecution of the airline industry for colluding on price through computerized ticketing systems. Here the companies were charged with signaling their intentions through posting prices on the system resulting in effective collusion. Similarly, the new reporting system in livestock markets could be used for anticompetitive purposes.

The question raised by the paper is how can a price reporting system be designed to increase market transparency, increase the information available to sellers, *and* prevent collusion among buyers? This is an extremely important issue. I look forward to seeing further work by the authors on this subject.